

# The Coffee Crisis In Context

Bryan Lewin

World Bank

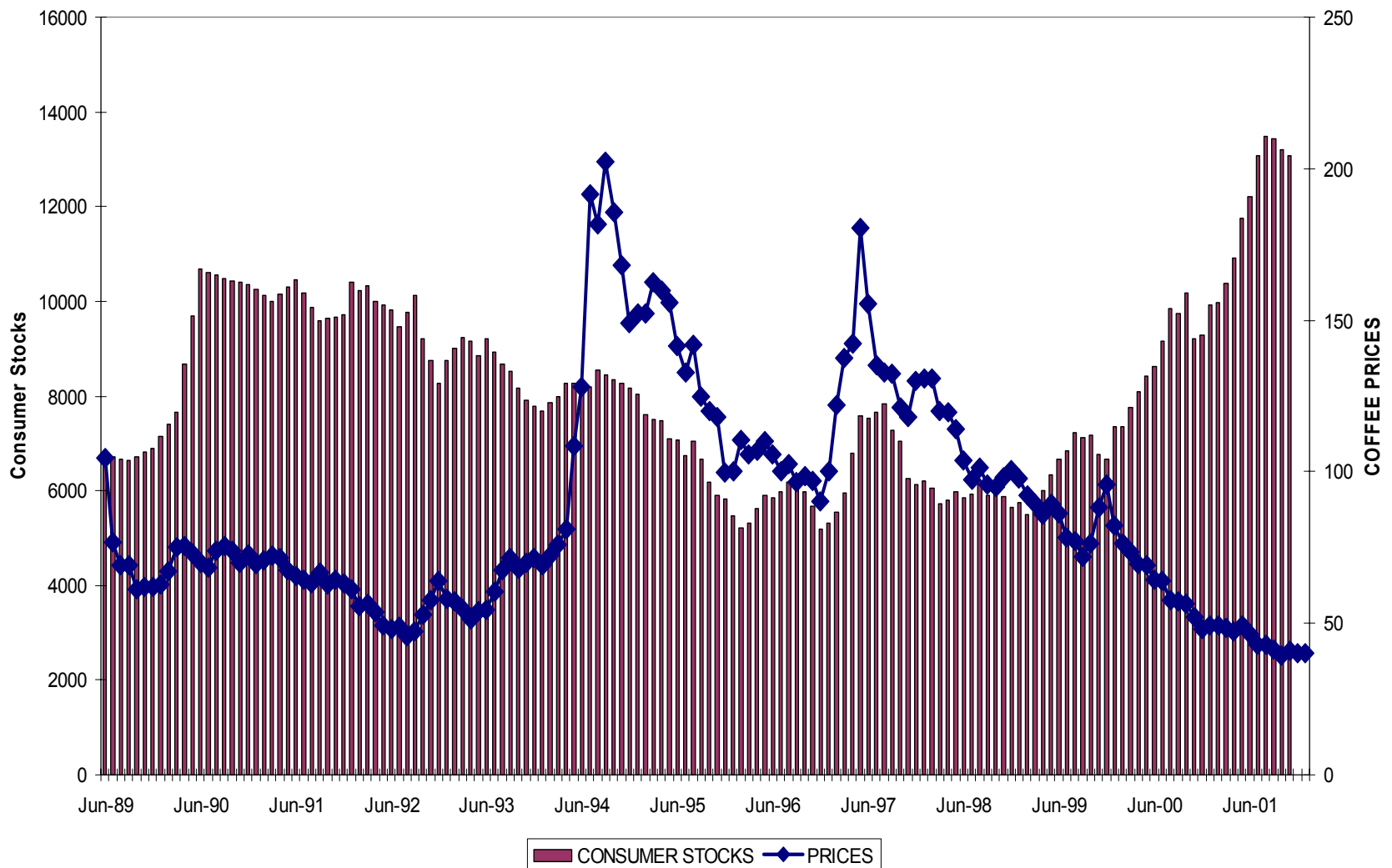
February 6<sup>th</sup> 2002

# Coffee Prices: 1967-Today

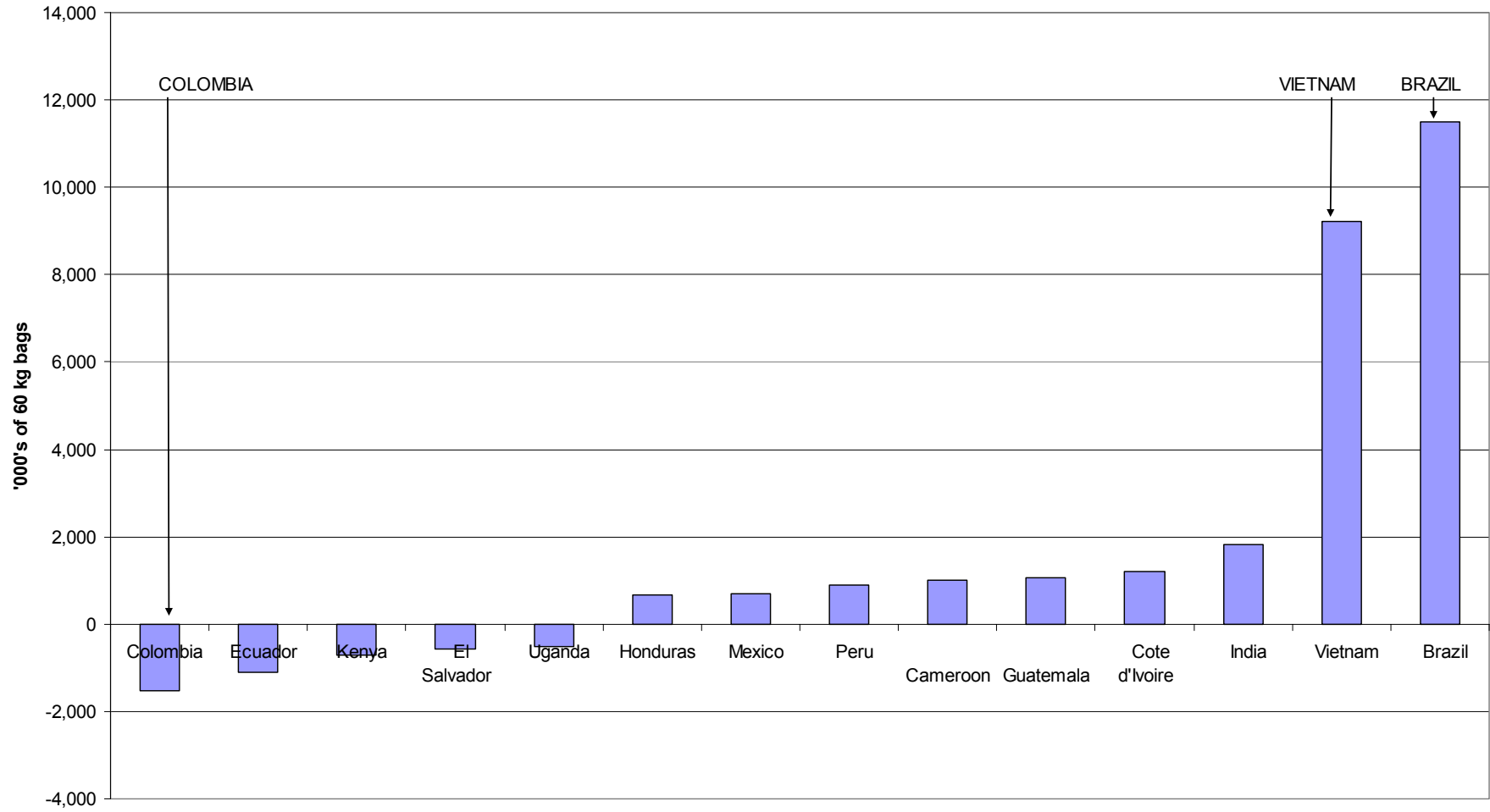


# Prices and Consumer Stocks:

Prices move in relation to expectations of stock changes



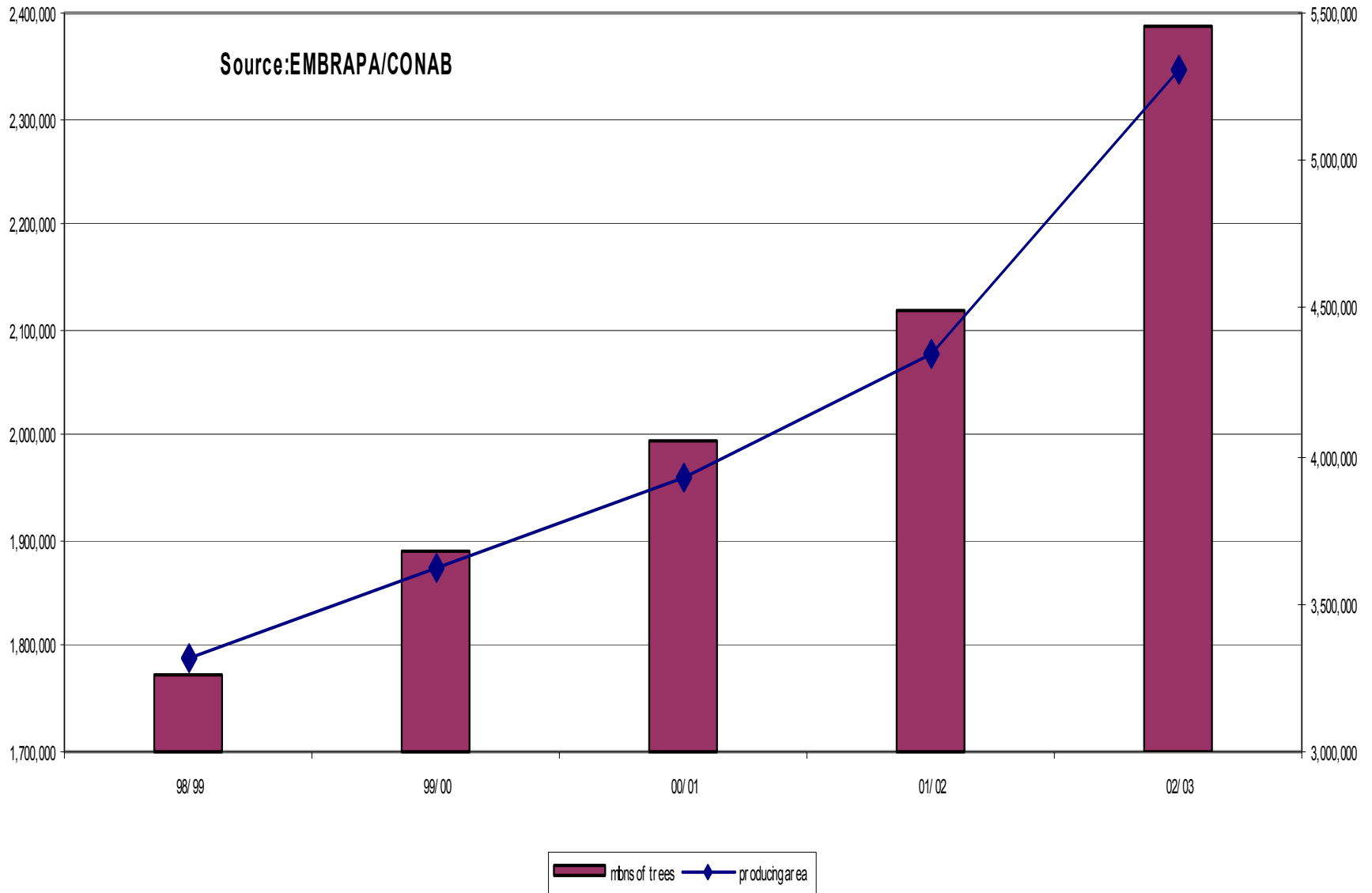
# Production Changes Since 1994/95 (USDA data)



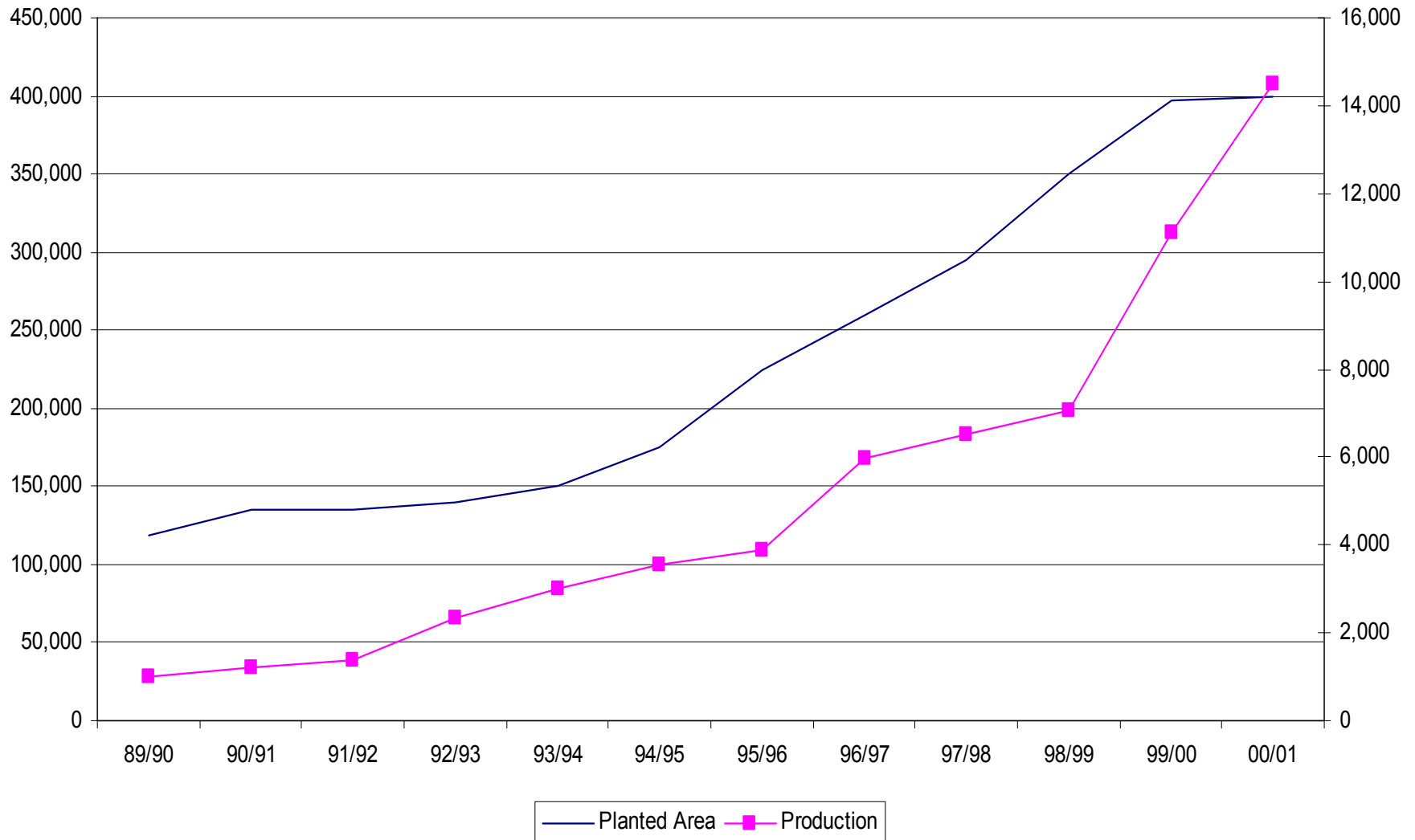
# Paradigm Shifts In The Coffee Market

- Structural Changes in Production as Brazil and Vietnam increase the quantity and quality of their output.
- Structural Changes in Demand, as roasters use technology such as steaming to become more flexible in their blending and able to work with shorter supply lines.

# Brazil: Official Estimates of Productive Capacity



# Vietnam: Growth In Production



# Exportable Production As Share Of Importer Demand

Robustas and Natural Arabicas heading towards a share beyond that which is sustainable in blends

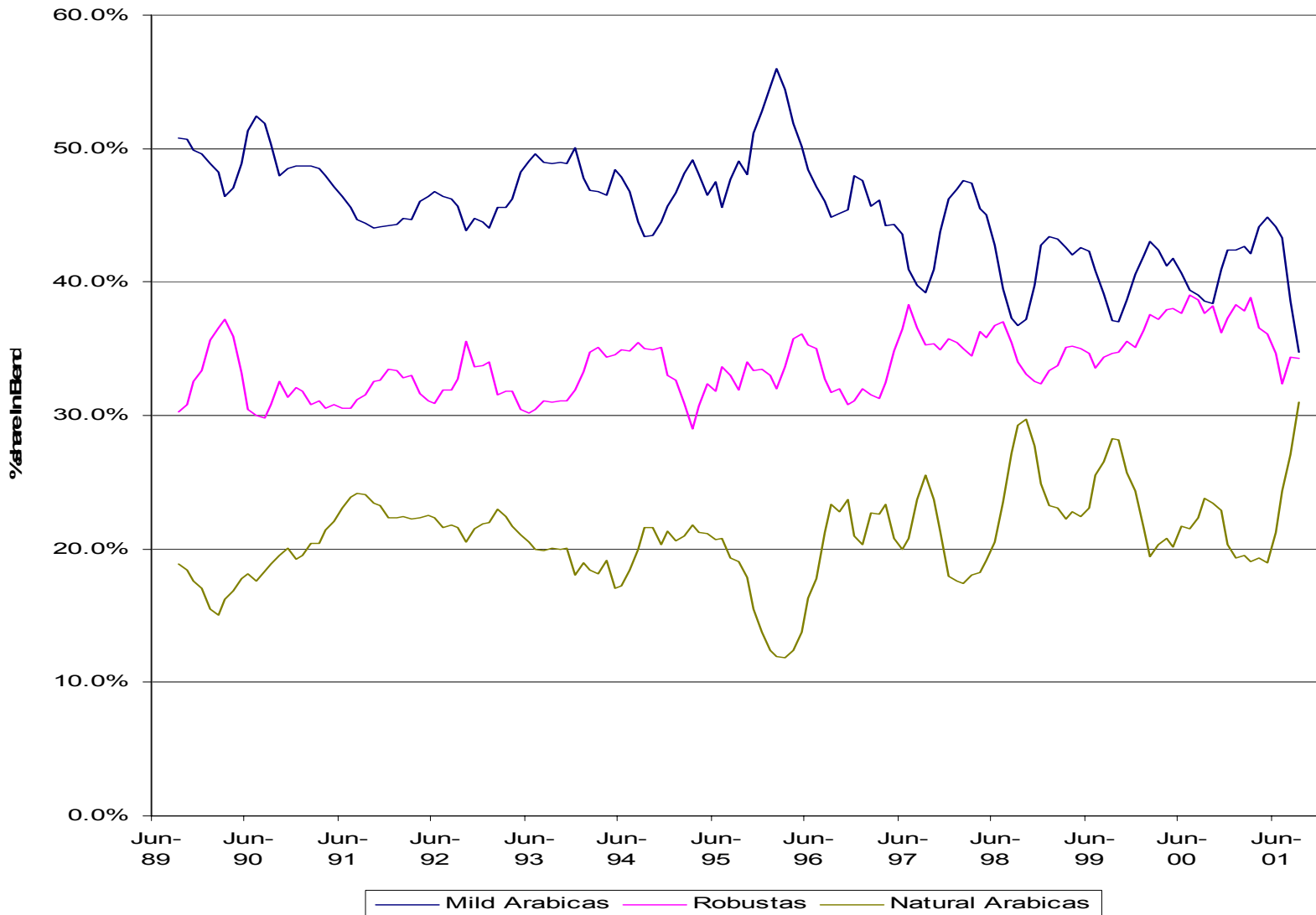




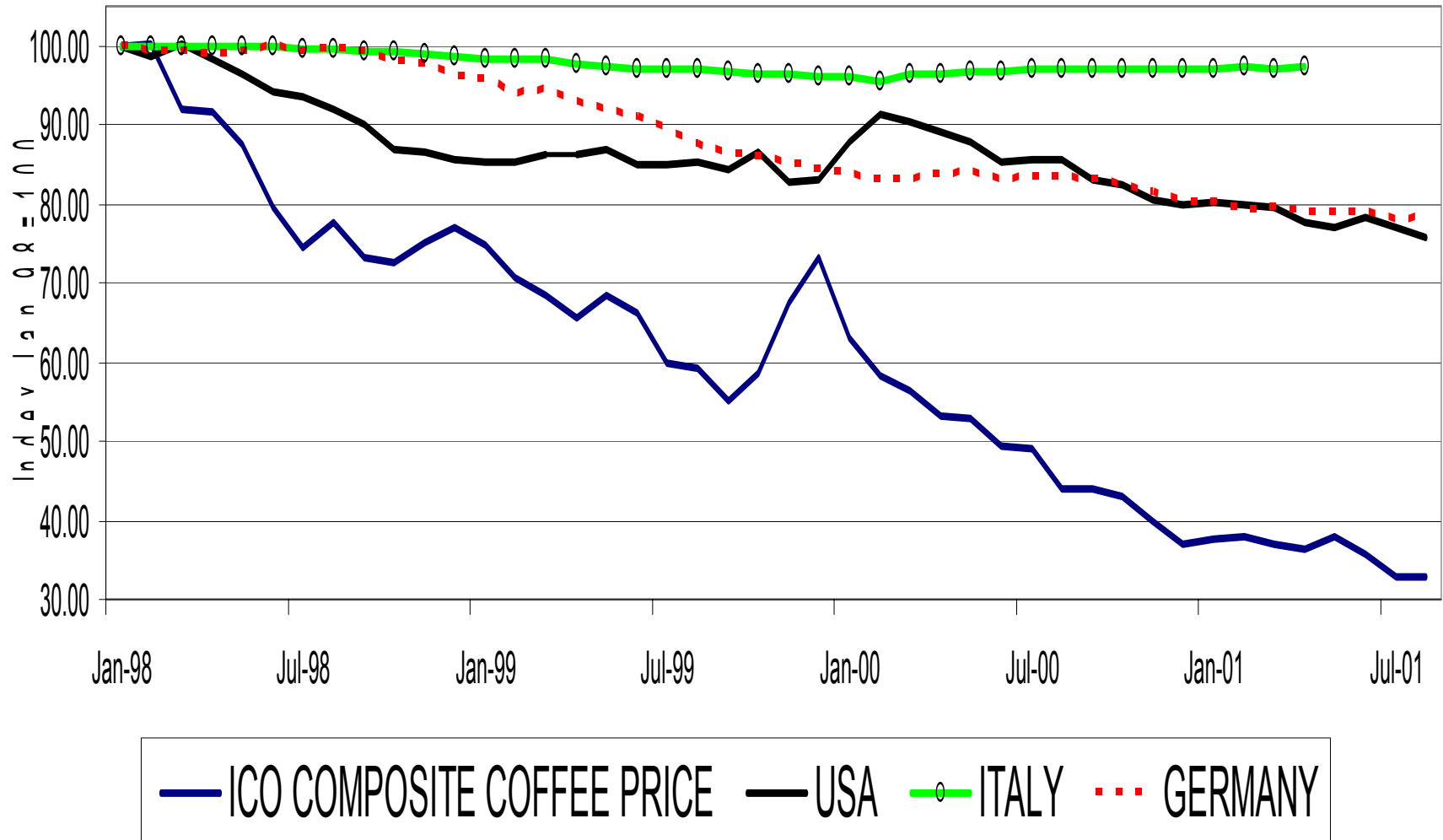
# Regional Changes In Consumer Demand: 1992-2000



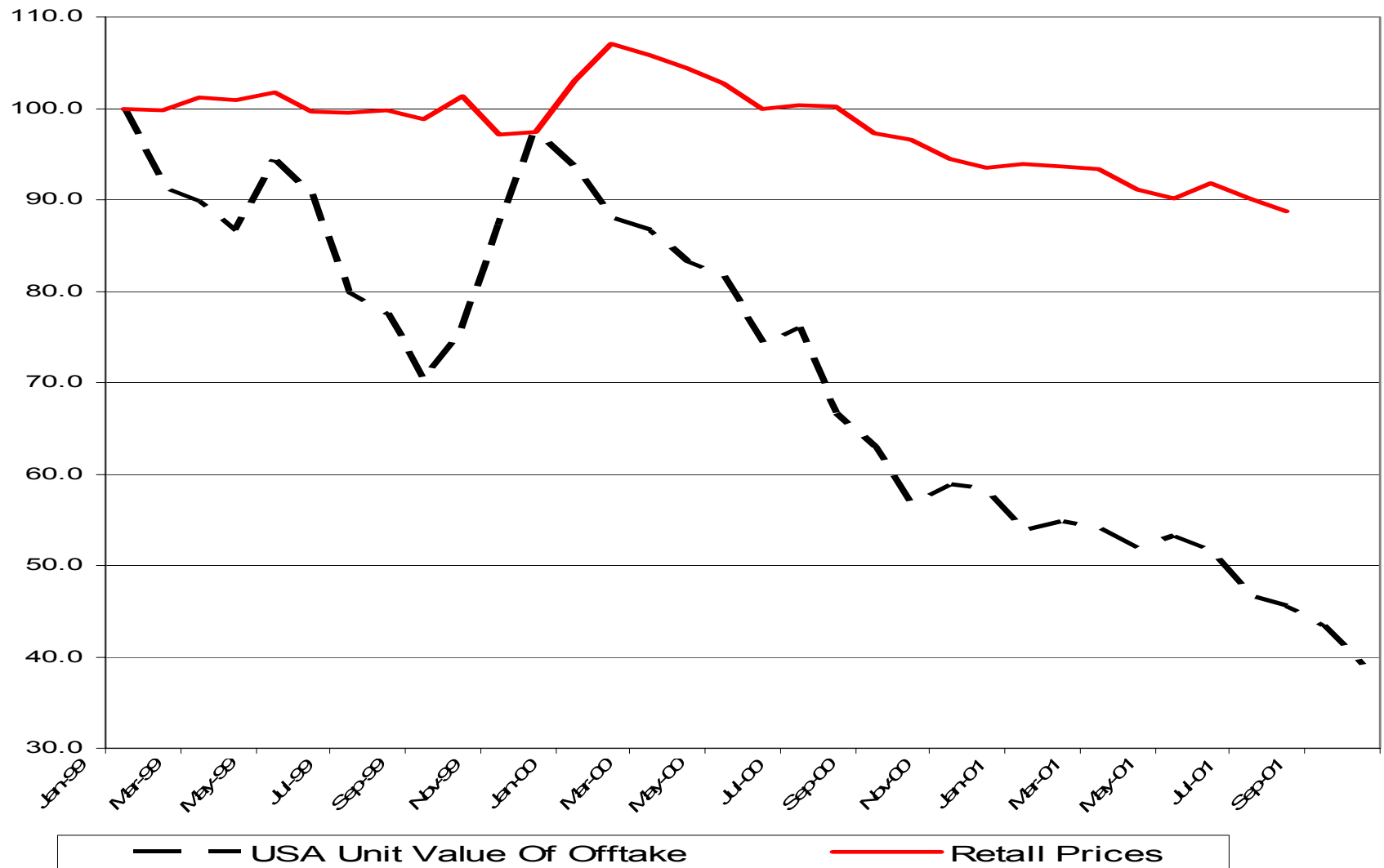
Disappearance by Type – market share becoming more volatile as roasters use technology to become more flexible in their blends, with washed arabicas loosing share to naturals and robustas



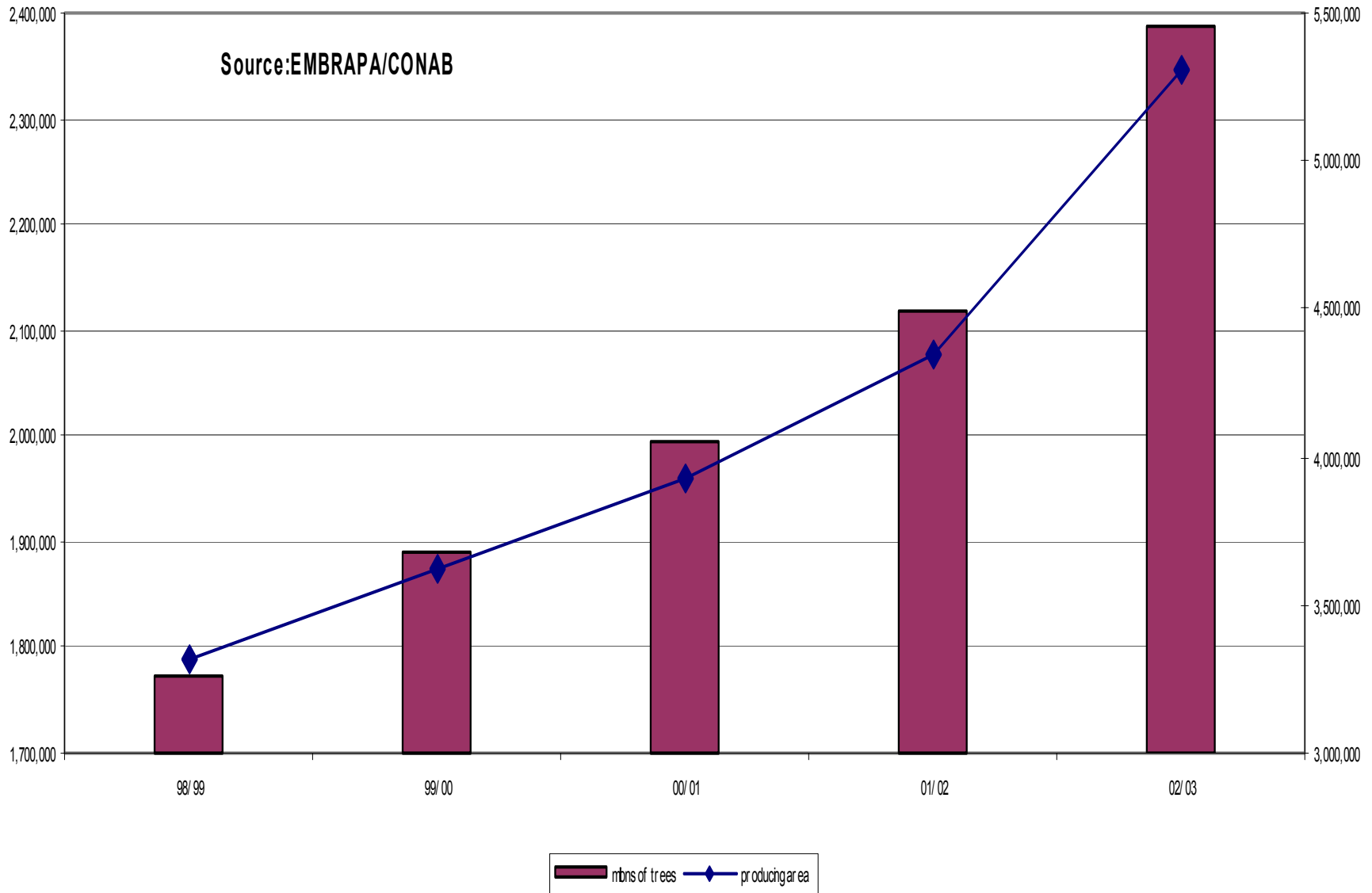
# Retail Prices Have Not Declined In Line With International Green Coffee Prices – So Who Is Capturing The Marketing Margins?



# USA: Unit Value Of Green Coffee Offtake -v- Retail Price Change



Brazil: Official Forecast of 02/03 is for a similar crop as probably occurred in 98/99, despite the expansion in productive capacity shown below.



# Stock/Demand Ratio and Prices

The potential for record world production in 2002/3 may lead to a further increase in consumer stocks and consequent pressure on prices

